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Ide, George Edward

The railroads and the public

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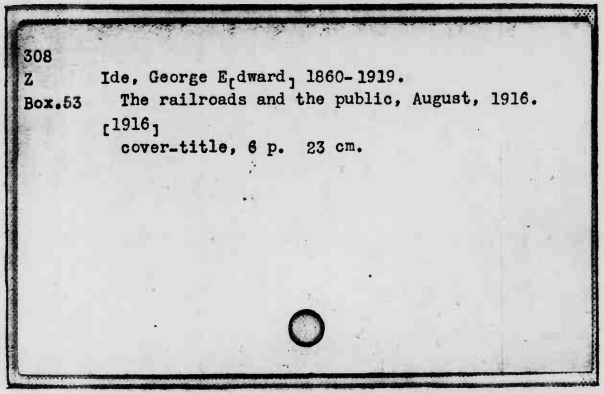

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THE RAILROADS AND THE PUBLIC.

GEORGE E. IDE

AUGUST, 1916

THE RAILROADS AND THE PUBLIC.

At the present time and in the present crisis it is commonly believed that in the Railroad Controversy we have the Railroad Officials on the one hand and the Railroad Employees on the other and that the Shippers and the Public are vitally interested spectators, because the one fears an increase in rates and the other interference with its comfort and convenience. Consequently one naturally looks for opposition to rate increase from the Shippers and eagerness for settlement of the dispute (at any cost) on the part of the "Public". As the "Public" is numerically the largest party its views are naturally very powerful as affecting the solution of the problems of the hour particularly in a "Presidential Year."

No solution should, however, be contemplated which is contrary to the ordinary rules of justice or fairness and it is quite generally believed that arbitration by fair minded, disinterested and well-informed arbitrators is the best method of settling vexed questions of this character. It must not, however, be forgotten that the "Public" has an interest in the welfare of the railroads, and that they cannot and should not advocate "Peace at any Price" simply because their convenience is in jeopardy.

The following statements **issued in 1913** are still worthy of thoughtful consideration by all concerned.

Extracts from an Editorial from the Commercial and Financial Chronicle of March 22nd, 1913.

"RAILROAD OWNERSHIP AND THE MANY INTERESTED."

"A man who evidently signs his true name and speaks sincerely writes to the 'Sun' that he has lately read that in the United States there are outstanding 33 million of life insurance policies and he should think the future beneficiaries under these must number at least 50 million."

"A year ago the life insurance companies doing business in this State (New York) reported about 3,942 millions of assets, of which about 1,863 millions were stocks and bonds owned."

"The savings banks of this State (New York) report their railway bonds separately, and at the end of 1911 those were a little more than 15% of total resources. There are other insurance companies, besides educational, religious and benevolent institutions, all of which are for public benefit and are practically public property, founded financially in considerable part upon railway securities."

"The public institutions of the country are financially resting on railways in considerable part, and if railway credit continues to fall, they will be more seriously affected than it is easy to realize."

"It is not the roads on one side and the 'people' on the other. The roads belong to the 'people'."

Extracts from Remarks by George E. Ide, President of the Home Life Insurance Company, before the Federal Interstate Commerce Commission at the public hearing on the subject of Proposed Increase in Freight Rates— ***November 26th, 1910.***

"In the Company with which I am connected the total admitted assets are $23,600,000; of these assets $6,400,000. is invested in mortgage bonds; $8,160,000. in railroad bonds, and in railroad stocks $705,000 Thirty-seven and one half per cent. of the Company's total assets is invested in railroad securities About 45,000 policyholders are the real beneficiaries and practical holders of these securities. It is not an intangible vague corporation which owns these bonds for the benefit of a few wealthy stockholders. The bonds are held sacredly in trust for 45,000 citizens scattered over the entire United States. These are the facts concerning only one of the Companies, and a small one at that."

"It is said that, if the earning power of railroads should fall below the requirements for dividends and fixed charges under existing or future conditions, the only sufferers would be the stockholders who would receive a reduced dividend. This is not a full statement of the case. The value of any prior lien

is affected by the margin of safety over the lien. It is not necessary to wipe out all of the margin before the value of the security is affected."

"As nearly as I can learn, of the entire bond issues of the steam railroads of this country amounting to $9,118,000,000, the Life Insurance Companies doing business in the State of New York hold $1,139,000,000, or **one-eighth of the entire railroad bond issues of the country. There are about 20,000,000 policyholders in these Life Insurance Companies and they are all collectively and individually interested in the integrity of this investment.** Any move which even sentimentally affects unfavorably the railroads of the land will strike a blow at these securities which will affect this vast army of thrifty citizens. It is not necessary to reduce railroads to a condition of bankruptcy before the value of the underlying securities is affected."

"A vast number of our citizens, unable individually to make their own investments in securities of railroads, are yet indirectly but intimately interested in their prosperity and well-being. The shipper, the jobber, the salesman and consumer all have rights of paramount importance, but the policyholder and savings bank investors must also be considered, for their interests are already vested in securities which have been purchased for their protection and profit, which were wise and conservative investments on the part of their trustees at the time they were made. Under our general economic system the small saver

who may become the future capitalist is a partner in these enterprises. Anything which affects unfavorably the prosperity and extension of our railroads will ultimately be felt by him and his welfare is of vital importance to the upbuilding of our nation "

If it were possible to determine the total amount invested in railway securities by the Insurance Companies of all kinds, by Savings Banks and Trust Companies, by Hospitals, Churches, Benevolent Institutions, Colleges and Philanthropic Foundations, we would find that the "people" have a direct and vital interest in maintaining the credit and prosperity of the railways. At the present time it is of vital importance that this fact should be emphasized and appreciated by all.

August, 1916.

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